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# **Working Paper Series of the Research Network 1989**

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## **The German Left and the Second Great Crash 1989-2009: 20 years of marking time**

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### **Abstract**

This paper puts the fall of the Berlin Wall in 1989 into its historical and economic context. It points out that the developments which led to the demise of communism were not restricted to the Soviet Bloc but part of a longer-term crisis of the global economy. Using Kondratieff's theory of Long Waves in capitalist developments, this paper shows how the end of the long post-war boom in around 1974 represented the top of the Kondratieff wave and that the primary recession of 1979-82 and the deflationary policies carried out in order to restore capitalist profitability at that point also laid the ground for the undermining of the Soviet Bloc economies. 1989 is therefore seen as the consequence of the shift to global financialisation of the economy which necessitated a competitive catch-up policy in the form of *Perestroika*, the corollary of which was a readiness on the part of the Soviet Union to let Eastern Europe go its own way. The period since 1989 in Germany is presented as one in which the major party of the Centre-Left, the SPD, was forced to tack to the neo-liberal wind but which left the space for the PDS/Linke to profile itself as a left alternative. The current crisis, which the author contends will issue into a long Kondratieff depression lasting until around 2020, means that social and economic priorities will shift away from the market and back towards the re-establishment of the primacy of politics over the market. This will put *Die Linke* in a strong position to represent the disadvantaged and force the SPD back towards a more leftist position. The end result, the author contends, will be a realignment of the Left into a solid block on the basis of the changed demography of a reunited Germany and a global economic crisis.

### **Keywords**

PDS Linke Crash 2008 1989 Kondratieff Long Wave

The German Left and the Second Great Crash  
1989-2009: 20 years of marking time

Dr Peter Thompson

Since this paper was first conceived a year ago the world has changed in a way which makes the upheavals of 1989 and the post-mural period seem like a distant memory but which also puts them into an explanatory context which I would like to explore here. It is difficult to grasp just how significant the current turmoil is and will continue to be, but in my view it represents capitalism's 1989, its *Große Wende*, or Second Great Crash in which not only its reputation for economic competence but also its ideological high-ground will be increasingly challenged by parties of the Left and Right. Many comparisons are being made with this financial crisis and the Wall Street Crash of 1929 but the comparisons are usually superficial and non-explanatory. The fact that we are now in the midst of the Second Great Crash makes it difficult to say precisely what is going to happen, but I would argue that there are certain patterns of development which enable us to make some guarded predictions for both the world economy and the fate of the German Left and to look for the historical links between the two, including its performance and position since the fall of the wall. I would like to take the risk of maintaining here that we are now entering a long down-turn in economic fortunes which will last for at least another 10-15 years and which will change completely the political fortunes of the Left. In that context I hope I will be forgiven for straying rather from the remit of talking purely about the German Left since 1989 but for analysing the links between the collapse of Communism in 1989 and the Second Great Crash of 2008.

Of course history never repeats itself precisely (not even as farce) and the pre-existing political conditions are very different now to the situation in 1929, but the central point of this essay will be the contention that the whole of the post-mural period from 1989 was leading up to this Second Great Crash, precisely because *die Wende* itself was caused by its *Vorscheine* or pre-echoes. Indeed, I shall argue here that the collapse of Communism was itself merely an epiphenomenon of the Crash which we are now seeing coming to full fruition.<sup>1</sup> This means that our consideration of the 1989 *Wende* has to be one which takes into account much longer-term and wider-scale developments in the world economy in both East and West. I will argue that both the fall of the wall and the current crisis go back to 1974, a date which marked the great *Tendenzwende*: the shift to the Washington Consensus of speculation over production, the end of Bretton Woods and the undermining of regulated financial markets in favour of what Peter Gowan has called 'the Global Gamble'.<sup>2</sup>

One of the first points to note is that people do actually learn from experience and it is clear that the liquidationist tendencies of the free marketers of the 1930s are being reined in slightly by the reflationists of the 21<sup>st</sup> century, but the battle is not yet won. However, even the reflationist trend as contained in the Paulson Plan for a \$700bn bail-out of the financial sector will only be able to ameliorate some of the worst effects of what is going to be probably the greatest deflationary shakeout in the history of capitalism and therefore also one of the socially most disruptive. \$700bn,

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<sup>1</sup> I already argued this in 2000 in my PhD thesis, published as *The Crisis of the German Left* London and New York: Berghahn, 2005

<sup>2</sup> Peter Gowan, *The Global Gamble* London: Verso, 1999

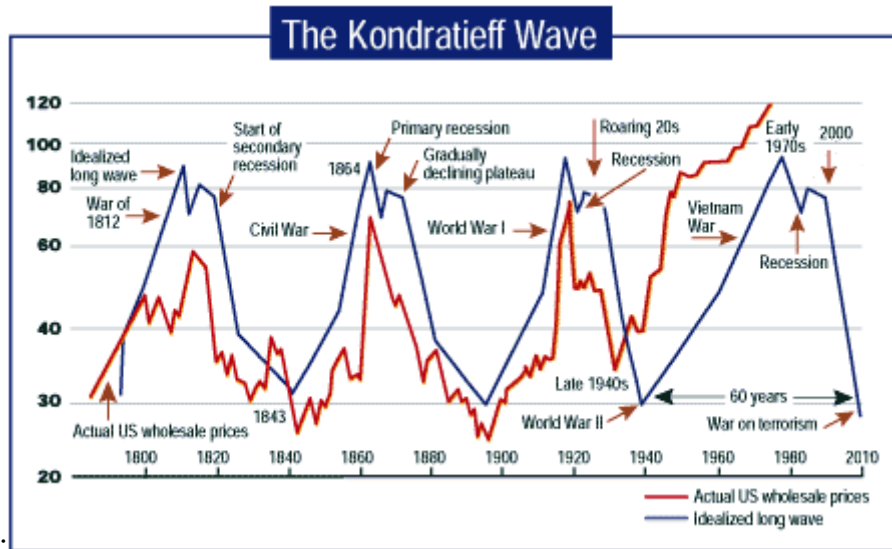
while a lot of money, is, after all, only a drop in the ocean of total overall indebtedness of some \$53 trillion in the US alone. By the Wednesday morning, 8<sup>th</sup> October, at the point of writing this, it is clear that stock markets around the world have realised that neither this move, nor the more than £50bn promised by the British government, is enough to overcome the structural problems of the global economy and represents just another temporary sticking plaster approach. But the comparisons made with 1929 are important and instructive to us here not simply in their own right but also because of what they tell us about certain patterns of boom and slump in the world economy and their socio-historical fall-out. This essay will seek to put this Crash into the framework of Long Wave theory, applying it to both economic and political contexts. This is because, as with all historical developments, it is necessary - without taking an excessively reductionist line - to trace its proper socio-economic context.

1989 did not arrive out of nowhere (although many who should know better seem to think it did) but was the product of a long-term economic trend which linked the Soviet Bloc into the world economy in a way which made change unavoidable. In order to explain this context I would like to consult a rather neglected and old-fashioned economic theorist: namely, Nikolai Dmyitriyevich Kondratieff (1892 - 1938). Despite both his antiquity and the fact that he was essentially a Soviet economist (before he fell out of favour with Stalin and was sent to the Gulags) he has always been around in both the work of economists as different as Schumpeter and Mandel, but also, more interestingly for our purposes, in the world of long-term investment strategy analysts working in the markets today.

Kondratieff's basic thesis is that, in addition to the normal and well-documented 5 - 7 year business cycles, there are clearly discernible 50-60 (actually, the average is 56) year long waves at work in the trade cycles of the world economy. These waves are essentially driven by the technological change and shift to credit finance made possible only by a capitalist organisation of society in which trade and the market take precedence. The anarchistic nature of the market means that surpluses and over-accumulations or booms take place which then have to be shaken out of the system in the form of slumps. The state is obliged to play a role in regulating these discrepancies but it is not possible, he maintains, to obviate them entirely within the structures of the capitalist market. Of course pure free-marketeers would maintain that this is precisely what makes capitalism so 'creatively destructive' and dynamic and that the state should keep out of the business of business. However, what interests us here is the social and political consequences of boom and slump on this long-term scale for both the capitalist world and, in the 70s and 80s, for the Soviet Bloc. Kondratieff published his analysis in 1926 in his work 'Die langen Wellen der Konjunktur'.<sup>3</sup> Since then, of course, we have had almost a century of further statistical data to go on, most of which has pointed to a high-degree of cogency for the Long Wave theory. Based on his calculations, Kondratieff clearly predicted the Wall Street Crash of 1929 and the depression which would follow it but also the recovery which would follow after about a 20-year duration. If we look at the following graph we can see that, although many of the statistics have been aggregated, the basic trend in developments is convincing:

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<sup>3</sup> *Archiv für Sozialwissenschaft und Sozialpolitik* Vol. 56/3, 1926, pp.573-609  
<http://www.kwaves.com/kwave.pdf> (accessed 02.10.08)

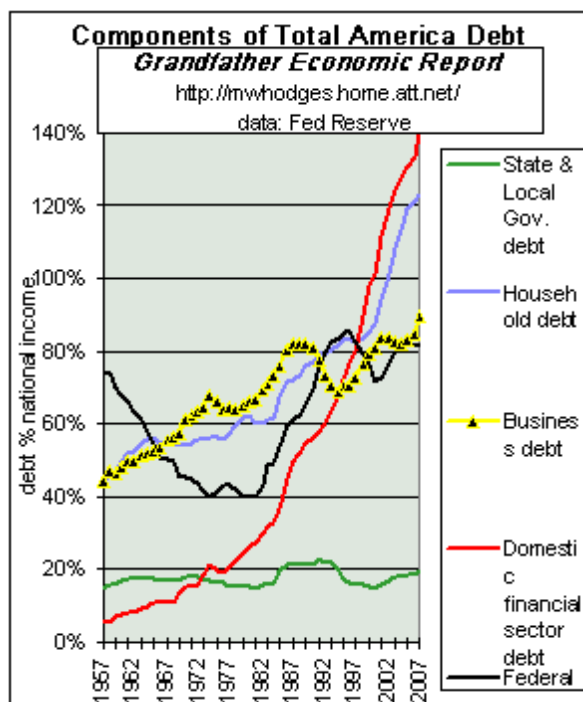


Graph 1:

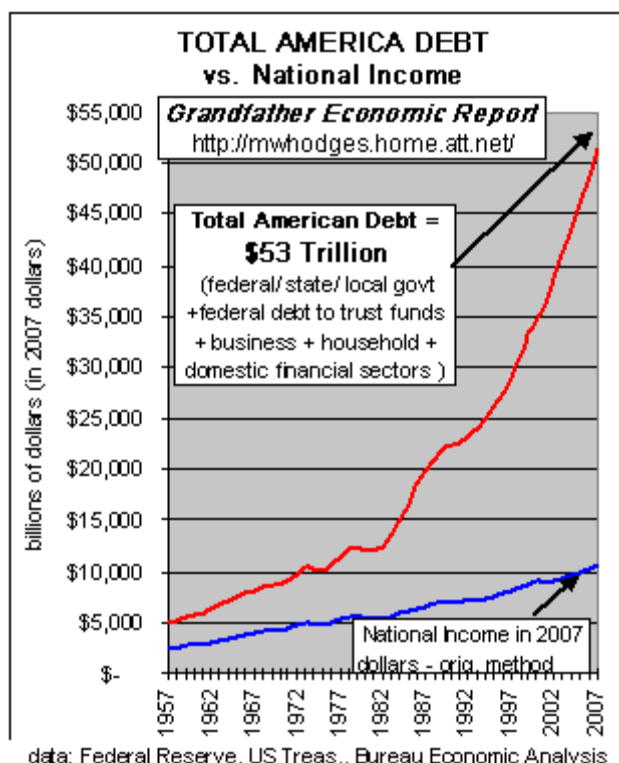
A more detailed analysis of these waves (follow ctrl+click) shows an interesting trend in the 1990s which led to a prolongation of the so-called autumnal boom beyond its duration during the pre-crash booms of 1864-1874 and 1921-1929, i.e. around 9 or 10 years. This time the boom lasted from 1982 (after the deep primary recession of 1979) until around 2000, i.e. around 20 years, when commodity prices, interest rates, the Producer Price Index and the CRB Index all began to show a marked decline. This was the period of uninterrupted growth of which Gordon Brown somewhat disingenuously but entirely understandably boasted and the apparent 'end of boom and bust' which he rather stupidly proclaimed. Some boom, some bust. The boom was prolonged by private and public deficit spending, the bust exacerbated by the catastrophic collapse of the sustainability of that spending.

The following graphs give some indication of the scale of the increase in private and national deficit spending in the US, particularly since 1974 and particularly in the domestic sector. Although these statistics relate to the US economy, the central and determining role of the US for the global economy is clear. The problems of Hypo Real Estate, for example, demonstrate that even Germany, the most cautious of European states when it comes to private lending, cannot escape the effects of the crash. Peer Steinbrück may have been right when he maintained that the Second Great Crash is an Anglo-Saxon crisis<sup>4</sup> but the problem is that we are all Anglo-Saxons now:

<sup>4</sup> Bundestag debate 25.09.2008



Graph 2:



Graph 3:

The past year has seen an acceleration of the relative decline since 2000 and the past month a slump.<sup>5</sup> The question is whether the higher and longer than usual increase in wholesale prices indicated in figure 1 will lead to a larger and longer than usual slump in the same over the coming years. If the trend is as predicted and based on past

<sup>5</sup> See Robin Blackburn, 'The Subprime Crisis' London: New Left Review 50, 2008, pp.63-108 for a detailed analysis of the background to this crisis.

experience and Kondratieff data then we are looking at a winter slump which will last until at least 2015, if not longer, with 2020 a distinct possibility, before labour costs fall to a level which would allow for a return to profitability and, perhaps more importantly, levels of bad debt have finally been squeezed out of the system.

If we stick with the comparison with the 1929 crash then we can see that the period of expansion which preceded it was accompanied and underpinned by a new technological boom with the increase of 'Taylorised' heavy industry and the automotive sector. This led to the massive expansion of an industrial working class which was already powerful as a result of the industrialisation and urbanisation processes of the late 19<sup>th</sup> century. A boom, however, not only gives the industrial working class objective power through full employment but also tends to increase their level of political awareness and activity. They become not only an economic factor of production but also a political class in their own right. The democratic rights implicit in the liberal constitutions of the capitalist states were initially intended to apply to only very limited sectors of society (Jefferson's infamous disdain for wage labour and workers is emblematic here) and their extension to women, blacks and non-property owners was as inevitable as it was resisted. In that sense the period after the First World War and the Bolshevik revolution saw the culmination of this pressure in the integration of the working class into a socio-political settlement which would eliminate the need for revolutionary change. We could therefore see 1918 as the start of the 'Short Political Century'<sup>6</sup>. By this I mean that politics and political integration of the working class increasingly took primacy over the subordination of social questions to the purely economic exigencies of the market which had prevailed up until the end of the First World War. Philip Bobbit has argued, for example, that the three great political movements of the inter-war period; namely fascism, communism and parliamentary democracy, were actually just more or less desperate attempts to buck the market and to establish political control over, if not ownership of, the means of production.<sup>7</sup>

He also maintains, in my view correctly, that this political century came to an end in 1974 and was replaced by the 'market-state' in which the amorphous powers of Wall Street and the needs of globalised free trade regulated the political sphere. If we look at our Kondratieff curves we see that this period coincides with the end of the long post-war boom when the increasing rates of employment brought about by the 1949 upturn meant that profit rates and capital productivity were falling and inflation was rising, along with wages and commodity prices. In the West the strength of the organised working class was in decline and the new technologies and social change which the high levels of investment in the boom period had brought about were increasingly undermining its industrial uniformity. It should not be ignored, however, that in addition to this objective socio-economic transformation there was a determined political push in the 1970s to drive back the labour movement and re-establish the rule of capital and with it the primacy of profitability. The accession to power of the monetarist group from Chile in 1974 to the UK in 1979 and the US in 1980 marked the turn back to the Primacy of Economics in political decision making. Neo-liberalism marked the end of the 'Short Political Century' and the primary

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<sup>6</sup> Peter Thompson, *Crisis of the German Left*, London and New York: Berghahn, 2005

<sup>7</sup> Philip Bobbit, *The Shield of Achilles*, London, 2002.

recession of 1979-1982 brought about the necessary disciplinary shock for the working class in the West.

Of course in the Soviet Bloc the situation was very different. There, since 1917 in the Soviet Union and since 1945 in Eastern Europe, the Primacy of the Political had held firm sway. Any attempts to introduce forms of *Perestroika*, from Lenin's NEP onward, in which improved economic efficiency was sought using market mechanisms, had quickly led to uncontrollable political developments which threatened party control and therefore had to be stopped.<sup>8</sup> This in-built, though paradoxical, element of workers' power in the Soviet Bloc was the very thing which both stopped it developing economically but also kept alive a political tradition, in the form of a vaguely socialist ideology in both east and west, long after the actual conditions for the establishment of socialism had disappeared. That no one (apart from the dissidents!) believed that the Party actually represented a socialist path is neither here nor there. It was clear to everyone that the phrase 'real-existing socialism' actually meant 'non-existent socialism' but the appeal to a subjective *Vorschein* of a better world, to use Ernst Bloch's description, was something which resonated on both sides of the iron curtain despite the objective impossibility of achieving it at that point.

The maintenance of this *Schein* as well as *Vorschein* of socialism was an expensive business however. The initial impressive growth rates which propelled the Soviet Union from a rural and backward economy into an industrial superpower soon deteriorated as the move towards new technologies in the West left the Soviet Bloc behind economically. The decision by the West to use the COCOM agreements and other boycotts to exclude the Soviet Bloc from technological and industrial renewal was secondary in importance to the Soviet Union's socio-political need to carry on subsidising uneconomic and outdated production under the auspices of the Brezhnev Social Contract and Honecker's 'unity of economic and social policy'. The GDR's honorary and hidden membership of the EC through its trading links with West Germany did nothing to obviate the crisis in the end. What this industrial policy represented, however, was no more than an intensive continuation of the socio-industrial policies carried out in the whole of the world economy towards the end of the long boom, only ended by the Chicagoistas in 1974. The similarity between what the Soviet Bloc did in the 1970s and 80s by borrowing and subsidising in order to prolong the party (and the Party) with the prolonging of the autumnal boom of the capitalist world through deficit spending and financial deregulation since around 1982 at once becomes clear. In effect there has been a leap-frogging of bankruptcy. The West decided to return to a policy of the roll-back of socialism in 1974 in which the financial weapon would play an important role in arming and indebting the Soviet Union to death. After the clear victory of capitalism over socialism in 1989, however, the system itself could only be maintained by arming and indebting itself to death.<sup>9</sup>

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<sup>8</sup> The only successful application of Perestroika we have seen, largely because of the complete absence of any accompanying component of Glasnost as well as its success due to the coincidence with the long autumn boom in the West, is in China.

<sup>9</sup> Der Spiegel Online on 6<sup>th</sup> October calls the rescue of Hypo Real Estate a 'beinahe-Pleite', the term used in the GDR in 1982 to describe the potential bankruptcy of the state, which was avoided only by taking out more credits from West Germany



The *Wende* of 1989 as well as that of 2008 therefore have to be understood in this context as socio-economic necessities rather than as the results of purely voluntaristic activities by either the 'Heroes of Leipzig' in 1989 or 'spivs and speculators' today. The fact that in 1989 the working class in the GDR was hardly involved at all in oppositional activity until the very last weeks of the crisis and that those who led the opposition ended up being the only ones who actually believed in the dream of socialism and were consequently trounced at the March 1990 elections demonstrates this paradox quite clearly. The problem is that rather than being simply a victory of capitalism over socialism, 1989 represented the final demise of the last hyper-Keynesian states of the 1970s just at a point where the apparent victors in the West were themselves entering a new phase of autumnal crisis. Where Communism had held off its crisis of under-production and low labour productivity by brute and massive state spending, capitalism held off its own new crisis of overproduction through a much more refined and sustainable - though far greater - level of public and private leveraged financing.

What this means is that for social democracy and the centre-left in general since 1989 saw an adaptation to the 'Washington Consensus' to which there appeared to be no alternative and which, many on the Left started to believe, was actually the way forward for liberal and progressive forces. This is particularly clear in the political and economic directions taken by New Labour under Blair and Brown, but was also common to all the major European social democratic movements and parties throughout this period. The room for manoeuvre to the left of social democracy during this period was seriously limited and only really existed in a few countries in Western Europe for a limited period.<sup>10</sup> The sole real exception to this was the case of the *PDS/Linke* and it is to this phenomenon of the apparent success of a party to the left of social democracy in the most heavily populated and industrialised country in Europe which I would like to turn.

The prospects for the Left in Germany between 1989 and today were conditioned by a combination of objective and subjective factors which left them, paradoxically, in both a weak and a strong position simultaneously. First the negative:

1. Capitalism emerged as economically and socially triumphant in an inter-systemic struggle which had dominated European and global politics for almost a century.
2. The appeal of socialism, let alone Marxism, as a governmental system was destroyed. The PDS's association with the SED, the constant description of it as 'the successor party to the SED' and '*die Stasi-Partei*', limited its appeal to a relatively small section of the East German population and a tiny proportion of the western left
3. Shifts in production towards the tertiary sector, although not as pronounced as elsewhere in Europe, had undermined the traditional heavy industrial base of the West German working class. The inefficiency and uncompetitive nature of East German meant that it all but disappeared within 2 years of reunification. This has led to both mass unemployment and a concomitant weakening of the bargaining position of the unions and a fall in real wages. As Oliver Nachtwey and Tim Spier point out, after

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<sup>10</sup> See Tim Spier and Clemens Wirries 'Ausnahmenscheinung oder Normalität? Linksparteien in Westeuropa' in Tim Spier et al. (eds) *Die Linkspartei. Zeitgemäße Idee oder Bündnis ohne Zukunft?* Wiesbaden: VS Verlag für Sozialwissenschaften, 2007, pp.71-116

rising to a high point of 77.1% in 1982, in the last year of an SPD-led government, the wage quota fell away to 70% under the CDU in 1997, rose slightly again under the new SPD government under Oskar Lafontaine as finance minister and then dropped away further to 67.3% in 2005, the lowest for nearly 40 years.<sup>11</sup> This post-Lafontaine turn of the SPD to a measured neo-liberalism in the form of the *Neue Mitte*, *Hartz IV* and, towards the end of the SPD-Green government, *Agenda 2010* programmes after 1999 undermined support for the SPD amongst workers in both East and West.

4. Since 1989, despite the relative strength of German industry, these changes have shifted the balance of class power in favour of the employer. Despite the complaints from the 'Masters of Wall Street', Germany has undergone considerable market reform. Over 20% of the workforce is in official low-wage jobs (the unofficial total is probably around 26%) and strikes are at an all time low in a country which already had notoriously tough strike laws. Labour unit costs have fallen faster than in the US or UK. Large sectors of the economy, above all telecommunications and energy, were privatised. Expenditure on pensions and health is below the EU average and costs for social spending in general have fallen in recent years, not risen. Taxes on capital are among the lowest in the EU and there has been an annual cut of 1% in jobs in the public sector over the past decade, with unemployment rising in Germany as a whole to around 9.9% by 2005 and in East Germany to 18.8%.<sup>12</sup> As a result, the OECD, in its 2005 report, described Germany as a model reformer. The deficits which do exist are largely a result of the massive costs of reunification and have relatively little to do with structural weaknesses in the economy itself or with any property bubble, though the most recent problems with Hypo show that German banks are also exposed to the credit crisis. The costs and effects of unification also mean that the unemployment statistics themselves are distorted. If one takes West Germany alone then its unemployment rate is below the European average. The comparison with the UK which is always made is also erroneous as it has 2.7 million people on incapacity and other benefits. Nachtwey and Spier also demonstrate that support for the welfare state and social solidarity also fell in both East and West Germany between 1994 and 2004, although it remains at a relatively high level.<sup>13</sup>

However, on the positive side:

1. The ideological appeal of socialism and Marxism as potential systems of governance given the right conditions also remained strong. The widespread feeling, especially amongst ex-GDR citizens, that socialism was a good idea which had been badly carried out continued to apply. In addition there had been 2.3 million members of the SED, almost 25% of the adult population (though most of these joined for careerist reasons, over 90% leaving the party for the same reason in 1989), and the Party had been much more firmly anchored in civil society than had been assumed by most western observers. This gave the PDS a political, organisational, financial and social base unrivalled elsewhere in Europe.

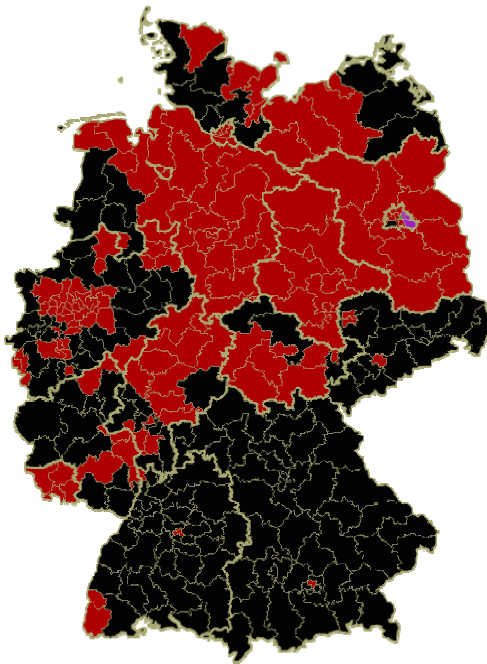
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<sup>11</sup> Oliver Nachtwey and Tim Spier, 'Günstige Gelegenheit? Die sozialen und politischen Entstehungshintergründe der Linkspartei' in: Tim Spier et al. (eds) *Die Linkspartei. Zeitgemäße Idee oder Bündnis ohne Zukunft?* Wiesbaden: VS Verlag für Sozialwissenschaften, 2007, pp.39-40.

<sup>12</sup> The method of calculating unemployed changed in the 1990s so that the self-employed are now counted in amongst the economically active employed sector.

<sup>13</sup> *Ibid* pp.33-34

2. The unification of Germany strengthened the demographic weight of the protestant, secular, working-class tradition of the East against the domination of the bourgeois and social-catholic traditions which prevailed in the southern and western areas of West Germany. This new demographic reality was what helped the SPD back into the lead role in government in 1998 and maintained them there until 2005. That they are now extremely weak in opinion polls, though still present in government of course, is largely to be explained by both a polarisation on the left between the SPD and *Die Linke* and a general weakening of the two large parties in favour of the smaller ones. Structurally, if one adds the support for SPD, PDS and Greens together, the left in general after the mid-1990s was and is in a relatively healthy state. Despite the relatively low population densities in the north and east this map of constituency votes in the 2005 Federal Election clearly demonstrates this:



source: <http://stat.tagesschau.de/wahlarchiv/wid246/index.shtml>

3. The dominance of the SPD on the traditional centre-Left meant that the PDS was not able to move onto that ground, as ex-communist parties had in the rest of Eastern Europe. This forced it to maintain a leftist and oppositional stance on the major issues of the day. This meant that the PDS provided a *Sammelbecken* for general German left dissatisfaction with both the principle and consequences of unification as well as giving it an anti-capitalist focus.

4. The PDS was also a means by which many in the ex-GDR could express their sense of regional identity and *Heimat*, becoming, in Toralf Staud's words, an East German CSU.<sup>14</sup> This regional base and organisational strength also meant that it could prove itself as a party of power as well as radical opposition.

5. The formation of the WASG in spring 2004 by union activists, disaffected SPD members and leftist intellectuals formed a basis for the revival of the left in West

<sup>14</sup> Toralf Staud 'PDS. Auf dem Weg zur ostdeutschen CSU' *Die Zeit* 43/2000, p.1.

Germany untainted by the negative associations with the GDR, which had always prevented a breakthrough for the PDS.

6. The fusion of the PDS with the WASG to form the new *Die Linke* has, for the first time since the Weimar Republic, created a significant political force to the Left of the SPD which has roots not only in the educated public sector liberal middle class, as with the Greens in the early 1980s, but increasingly in the organised working class, the unemployed and intellectuals and pensioners (the latter particularly in the ex-GDR). In terms of the longevity and survivability of *Die Linke*, there has been a significant shift in support. Again Nachtwey and Spier show that West German working class allegiance to the SPD has fallen from +0.9 (on a scale from +1 to -1) in 1977 to +0.25 in 2005 with East German workers' allegiance falling from a high of +0.25 in 1996 to -0.25 in 2005.<sup>15</sup> In the same period working class sympathy for the *PDS* rose from -1 in 1991 to +0.5 in 2005. At elections, overall support for the *PDS/Linke* rose in the West from 0.3% in 1990 to 4.9% in 2005 and in the East it has gone from 11.1% to 25.3%. Amongst workers the shift is even more pronounced, with an eight-fold increase in the West from 1 – 8% and an almost six-fold in the East from 5 – 28%.<sup>16</sup> While the number of workers has fallen during that period, somewhat offsetting these shifts, the number of unemployed has also risen dramatically and many more of this group are shifting their allegiances from the SPD to *Die Linke*. Amongst the unemployed in the West, support for the *PDS/Linke* improved from 2% in 1994 (no data for 1990) to 14% in 2005 and in the East from 9% in 1990 to 42% in 2005. This trend has also dragged the SPD, at least in temperament if not yet in practical politics, to the left.

All of these factors mean that at the 2005 election it was possible for *Die Linke* to achieve 8.7% of the vote largely on the basis of presenting itself as:

- a) The party of social justice
- b) The representative of East German interests in a united Germany.
- c) The continuation of the traditions of an all-German workers' movement
- d) The representative of subaltern groups in all sectors of society

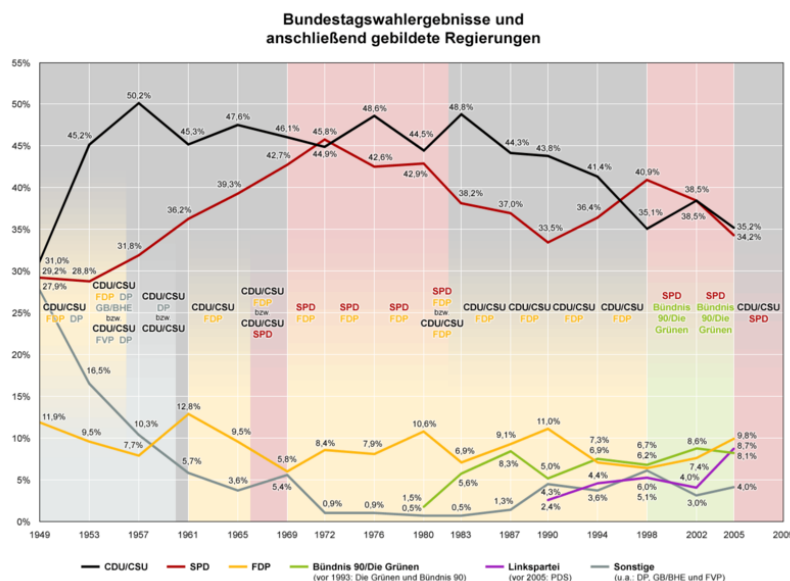
Thus class and region have come together to present the German political scene with a new agenda, i.e. how to deal with the increasing number of cleavages present in German society as traditional ways of voting and thinking begin to break down even further. If we look at the trend over the post-war period we can see that the tendency towards monolithic integration of classes into mass centrist parties plus the liberals coincides almost precisely with the long Konratieff spring and summer boom from 1949-1974. This is particularly the case for the SPD, where a clear 'Genosse Trend' is observable through the 60s and 70s, peaks in 1972 and falls away again, rescued only by German reunification, the autumn boom and the injection of traditionally social-democratic and protestant East German support. However, the SPD's flirtation with neo-liberalism drove traditional as well as new supporters into the arms of other parties. According to Infratest-dimap the SPD lost 2 million votes to all the other parties and none. The greatest number – 1.3 million went to the *Linke/PDS* and 620000 to the CDU. 400000 didn't vote at all. The main reasons given for these shifts were unemployment and social justice. 50% of SPD voters thought that the latter was

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<sup>15</sup> *ibid* p.24

<sup>16</sup> *ibid* p.22

central to their concerns. Overall the SPD lost some 2.4 million votes between 2002 and 2005, only a quarter of which went to the CDU/CSU or FDP. Measured against the 1998 election, the SPD lost around 4 million votes.



Graph 4:

The coalitions of interest which were held together in the long boom have increasingly broken down as a result of cultural, social and economic dislocation, leading to the emergence of greater cleavage and polarisation.

What this all means is that the dread term ‘working class’ will come back on to the agenda as the support of that class becomes ever more necessary to hold together a working majority. Euphemisms such as ‘Prekariat’, coined by those who believed the line that the working class had gone away when it had simply changed the colour of its collar, will become surplus to requirements and the working class vote will be up for grabs. However, that vote will no longer vote monolithically in favour of an alternative party of the left either. It will also throw up more significant anti-free-market sentiment on the hard Right, with a probable increase in regionalist, nationalist and racist sentiment anchored in an anti-capitalist rhetoric, with calls for statist solutions to market problem. We have seen this recently in Bavaria<sup>17</sup> and Austria<sup>18</sup> and it is likely to spread as the crisis deepens.

The hard Right had a relatively good election in 2005. The Republikaner obtained 266,317 votes and therewith 0.6% of the vote, about the same as 2002. But the NPD were able to treble their vote from 212,232 in 2002 to 743,903 (1.6%) this time. This difference could, however, be explained by the absence this time of the Schill Party which managed to get over 400,000 votes in 2002. This means that over a million voters voted for the extreme right nationwide but this was spread very unevenly. As

<sup>17</sup> where the CSU achieved only 49.3%, a drop of 9.3% at the 2005 federal election compared to 2002 and 17.3% at the state election on 28.09.08 over 2003. All of these lost votes went to the smaller parties, including Die Linke, Freie Wähler, FDP and Greens. The SPD also lost ground, down 1% (sources: <http://www.bundeswahlleiter.de/> <http://www.landtagswahl2008.bayern.de/tab4990.html> )

<sup>18</sup> In Austria, Haider’s BZÖ obtained 11% and the FPÖ 18%. Source: <http://www.wahlergebnisse.info/5010.php>

could be expected they did best in those areas with high unemployment. With the exception of Sachsen-Anhalt the NPD attained over 3% in all East German states. In Sachsen, where the NPD are also in the state diet, they got 4.9% and even overtook the Greens, who got 4.6%. They did better, however, in more rural areas than they did in the cities. In the Sächsischen Schweiz they got 7.1%, in Kamenz-Hoyerswerda 6.5%, in Bautzen-Weißwasser 6.3% and in Annaberg 6.3. In some areas within these constituencies they got over 10%. This would seem to indicate that *Die Linke* picks up urban disaffected votes and the NPD rural disaffected votes.

Catholic voters are also becoming younger and more secular in the west. The CSU was the real loser of the 2005 election with over 800,000 votes lost to varying parts of the political spectrum. This represents a large part of the CDU/CSU's overall losses at the election. At the same time Union voters have become more polarised in class terms. On the one hand the proletarianisation of the middle-classes has strengthened the CDA within the movement and led it to be quite critical of neo-liberalism. The Chair of the CDA, Karl-Josef Laumann, demanded that the CDU must not forget its christian-social roots under pressure of the neo-liberal agenda. The fear that it had done so pushed some 290,000 CDU votes even as far as *Die Linke*. Franz Walter points out that at least 40% of CDU voters have always been at least as well-disposed to the welfare state as have SPD voters.<sup>19</sup> So the richer the region, the more rural it is, the lower the unemployment so the larger is the proportion of the vote going to the CDU/CSU/FDP. The FDP did better in the more urban areas amongst higher earners and the self-employed and the CDU/CSU amongst older and more rural voters. The CDU/CSU captured 45% of the over 60 year old vote and only 31% of those under 30. At the same time however, many young CDU/CSU voters have not only become more socially liberal but also more economically so. This latter group, however, quite clearly shifted towards the FDP in 2005, and are likely to continue doing so in future. In 2005 the CDU lost more than 1 million votes to the FDP, who clearly presented themselves as the true neo-liberal reformers. The CDU also lost over 640000 voters to the non-voting camp.

The big winners, of course, were the *Linke*. They doubled their 2002 result, picking up an extra 2 million votes, and got 8.7%: 4.9% in the West and 25.3% in the East. In Thuringia (26.1), Saxon-Anhalt (26.6), Brandenburg (26.6) they became the second largest party and in Berlin they gained 16.4% (29.5% in east, 7.2% in west). Even in Saxony they were only just in third place with 22.8. In Berlin-Marzahn-Hellersdorf and Berlin Lichtenberg the Linkspartei became the largest party with 34.4% and 35.5% respectively. But in the West too the party did relatively well with 4.9% overall and in Lafontaine's backyard in the Saarland they achieved 18.5%. Almost 25% of the unemployed voted for the *Linke*. This was also the case for the bottom quartile in both East and West. In Duisburg North the PDS got 8.1% and in Gelsenkirchen and Bochum-Herne, with almost 20% unemployment they reached almost 8%. They also did well in Rheinland-Pfalz.

In Kaiserslautern, home of the Opel engine factory and Pirmasens, which has 17% unemployment alongside the highest proportion of millionaires in Germany, they attained nearly 9%. In Bremen they obtained 8.3%, in Bremen-II-Bremerhaven, with almost 20% unemployment, the vote was as high as 8.6%. Interestingly, only 70,000

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<sup>19</sup> See Franz Walter *Die ziellose Republik* Cologne: Kiwi, 2006, p.162

East German voters went to non-voters, whereas in the West it was over 1 million. Turnout rose in every East German land and fell in every West German land (Berlin saw a slight fall but this was due to East West split).<sup>20</sup> This shows that the *Linke/PDS* was the party which mobilised non-voters, picking up over 200,000 of these. First time voters went predominantly for the SPD with 39% going to that party. 36% of workers and 33% of the unemployed still voted for the SPD but they also lost most heavily here (down 7% and 8% respectively), to the benefit of the *Die Linke*. The proportion of foreigners did not seem to affect the outcome of the election to any degree. Social class played its traditional role amongst the migrant community with the majority of the 550,000 Turks and other foreigners entitled to vote going for the SPD and, increasingly, the *Die Linke*.

So, even in electoral terms, the *Linke* is here to stay. This is perhaps one of its greatest achievements given that in 1990 the PDS was expected to disappear along with the GDR and that political scientists have been almost entirely hostile to both the PDS and *Die Linke*, apparently abandoning any semblance of academic neutrality when analysing its fortunes. More important than, though obviously linked to the electoral battle, however, is the extent to which the *Linke*, particularly in the Five New States, is perhaps more firmly anchored in the institutions and structures of civil society than any of the other main political parties which have degenerated into mere electoral machines. This is both a result of the **positive** legacy of its role as the state party in the GDR, a state which, as time moves on, is seen through increasingly rose-tinted spectacles as a failed but laudable alternative to capitalism<sup>21</sup> as well as its position in the West as a party made up of union activists and disaffected Social Democrats and not merely a group of the usual leftist intellectuals.

The Oskar Lafontaine factor also has to be taken into account:

On the one hand, he remains a controversial party leader. The visceral hatred felt towards him by the leadership of the SPD will prevent any cooperation between that party and *Die Linke* just at a point where the *Berührungspunkte* about the old PDS as the successor party to the SED are starting to fade.

On the other hand his populist style and prominence as both a former *Kanzlerkandidat* and Finance Minister within the SPD have undoubtedly brought hundreds of thousands of voters to *Die Linke* in the West.

All of this means that the German left in general<sup>22</sup> and *Die Linke* specifically is actually in a potentially very healthy position. Being structurally embedded in society in the way it is puts it in a significantly better position to profit politically from the Second Great Crash. The mood over the next decade will be to re-establish the Primacy of Politics over the neo-liberal message of the Primacy of Economics. The 18 years since unification saw a mood of neo-liberal hubris which allowed people such as Rupert Pennant Rea (former Deputy Governor of the Bank of England) to state that 'the penal taxation on which social liberalism was based was an import from Marxism

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<sup>20</sup> [http://www.kas.de/db\\_files/dokumente/7\\_dokument\\_dok\\_pdf\\_7200\\_1.pdf](http://www.kas.de/db_files/dokumente/7_dokument_dok_pdf_7200_1.pdf) p.23

<sup>21</sup> Whereas Nazism has never been able to escape the conclusion that it was an essentially 'evil' idea carried out well, socialism in the colours of the GDR is seen as an essentially good idea carried out badly.

<sup>22</sup> sooner or later there will be a Red-Green coalition with *Linke* support not only in Hesse but also at federal level

forced upon the rich by the Cold War' and Roman Herzog (former President of Germany) that

The systemic conflict of the twentieth century, unleashed by the Russian revolution in 1917, has come to an end. The antinomy under which we have all grown up and which split the world into two camps has been lifted. For the first time in history the idea of freedom has spread out and become almost unchallenged. And never before has there been such consensus that the free market is the economic system which best suits people's energy and which can therefore guarantee their prosperity.'<sup>23</sup>

This now reads as almost as deluded as Honecker's statement in 1989 that the 'wall will still be here in fifty, a hundred years.' The free market is no more a solution to the essential problems of a complex industrial society than were the Stalinist distortions and simplicities of the old SED and the opportunities for the German left to coalesce around this realisation over the coming decade are great. To paraphrase a US general on the destruction of the Vietnamese village Ben Tre, it may have been necessary to destroy socialism in order to save it, but 20 years after the fall of the Berlin Wall the world is shifting once again.

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<sup>23</sup> See Thompson *Crisis of the German Left* New York and London: Berghahn, 2005, p.69.